

VZCZCXRO7591  
OO RUEHCN RUEHGH RUEHVC  
DE RUEHIN #0035/01 0090904  
ZNY CCCCC ZZH  
O 090904Z JAN 08  
FM AIT TAIPEI  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7757  
INFO RUEHOO/CHINA POSTS COLLECTIVE  
RUEHBK/AMEMBASSY BANGKOK 3935  
RUEHBY/AMEMBASSY CANBERRA 4682  
RUEHML/AMEMBASSY MANILA 0237  
RUEHGP/AMEMBASSY SINGAPORE 7107  
RUEHKO/AMEMBASSY TOKYO 9390  
RUEHWL/AMEMBASSY WELLINGTON 1948  
RUEHCHI/AMCONSUL CHIANG MAI 0351  
RUEHHM/AMCONSUL HO CHI MINH CITY 0179  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC  
RUEAIIA/CIA WASHDC  
RHHMUNA/USPACOM HONOLULU HI

C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000035

SIPDIS

SIPDIS

STATE PASS USTR, STATE FOR EAP/TC, USTR FOR STRATFORD AND  
KATZ, TREASURY FOR OASIA/TTYANG, COMMERCE FOR  
4431/ITA/MAC/AP/OPB/TAIWAN

E.O. 12958: DECL: 01/08/2018

TAGS: [ECON](#) [ETRD](#) [PGOV](#) [PREL](#) [SENV](#) [TW](#)

SUBJECT: DPP PRESIDENTIAL CANDIDATE FRANK HSIEH WORKS TO  
DIFFERENTIATE HIS ECONOMIC PLATFORM FROM KMT COMPETITOR

REF: 07 TAIPEI 2295

TAIPEI 00000035 001.2 OF 002

Classified By: Economic Chief Hanscom Smith for reasons 1.4 (b) and (d)

1. (C) SUMMARY. Responding to criticism that DPP presidential candidate Frank Hsieh's economic policies are too close to those of his KMT opponent Ma Ying-jeou, the Hsieh campaign is developing an economic policy White Paper that will maintain support for cross-Straits economic opening while placing additional emphasis on job-creation and environmental issues. Hsieh's economic policy is designed to appeal to small- and medium-sized business owners, the young, and those worried about a perceived rise in social inequality. END SUMMARY.

2. (C) In a January 8 meeting with economic chief, Frank Hsieh economic advisor and National Taiwan University economics professor Kenneth Lin said that Hsieh's economic policy White Paper, originally scheduled for release around the New Year, has been delayed and will now be published sometime between the January 12 Legislative Yuan (LY) elections and Chinese New Year in early February. Lin explained that the broad focus of Hsieh's economic policy (reftel) has not changed, but added that some DPP supporters have complained that Hsieh's economic platform is too similar to that of Ma Ying-jeou, his KMT opponent. As a result, said Lin, the White Paper is being revised to place additional emphasis on job creation and environmental policy, two areas in which the DPP hopes to distinguish its priorities from those of the KMT. He clarified that there has been no change in Hsieh's policy on enhancing cross-Straits economic links, including support for increased charter flights, a rise the number of Chinese tourists to 1,000/day, and eased restrictions on mainland investment by Taiwan firms (reftel).

3. (C) After the January 12 LY election, noted Lin, President Chen will continue to focus on "Taiwan identity" issues, while Hsieh plans to increase his emphasis on economic issues and his performance as mayor of Kaohsiung. According to Lin,

Hsieh's strategy will stress support for Taiwan's small- and medium-sized enterprises (SMEs), including investment incentives and a scheme to improve efficiency by allowing small factory owners that employ foreign workers to run three, rather than two, shifts a day. Lin explained that the Hsieh campaign plans to ramp up its outreach to small business-owners, less-skilled laborers, young people, and residents of relatively economically disadvantaged central and southern Taiwan.

¶4. (C) Lin said Hsieh's campaign also plans to highlight what he characterized as Taiwan's increasing social stratification. Although the Gini coefficient and other statistical indicators do not necessarily reveal a dramatic rise in inequality, he explained, Taiwan's richest residents are reaping disproportionate gains from economic globalization, while many middle-income voters feel insecure. Lin stressed, however, that Hsieh does not plan to advocate significant new infrastructure projects or other major state spending initiatives. Government should not play an active role in job creation, he stated, but should instead create a favorable business environment. Hsieh's White Paper is likely to include taxes on carbon dioxide emissions as a partial substitute for personal and corporate income taxes, noted Lin.

¶5. (C) Turning to the overall campaign, Lin expressed concern that DPP failure to win more than 40 seats in the January 12 LY election could lead to a "domino effect" against the DPP in the March presidential election. The people of Taiwan are exasperated by ongoing partisan gridlock, he observed, and desire a more unified political system. Regardless of the LY election results, he added, President Chen will remain DPP Chairman. According to Lin, the DPP is trying to increase its resonance with younger voters. Young people are relatively strong supporters of "Taiwan identity," he noted,

TAIPEI 00000035 002.2 OF 002

but tend not to support the DPP.

¶6. (C) COMMENT. Reflecting widespread business community concerns, Hsieh and Ma have relatively similar policies on cross-Strait economic integration. As outlined by Lin, Hsieh's revised White Paper seems calculated to preserve Hsieh's mainstream appeal on cross-Strait issues while consolidating the DPP base by offering more traditionally "Green" policies on the environment and jobs. END COMMENT.  
YOUNG